



Mandiri Sekuritas Analyst

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Sector: Industrial

BUY

Current Price Rp585
Target Price Rp700 (+19.7%)
52-wk range Rp629 - Rp444

Stock Data

Bloomberg Code MMLP IJ
Mkt.Cap (Rp bn/US\$ mn) 4,030 / 293
Issued Shares (mn) 6,889
Avg. Daily T/O (Rp bn/US\$ mn) 0.2/0.0

Key Financials

	2017F	2018F	2019F
EPS	30	29	36
PE (x)	19.5	20.4	16.1
PBV (x)	1.1	1.0	1.0
EV/EBITDA (x)	35.7	27.6	23.3
EPS Growth (%)	(49.9)	(4.6)	26.7
Div. Yld (%)	0.0	0.0	0.0
ROAE (%)	5.7	5.1	6.1



FY17 Results: Strong EBITDA growth, Weak earnings from Non-operating items

Revenue and EBITDA growth picked up in 4Q17, primarily driven by revenue from Ark Logistics warehouse completion. FY17 Revenue and EBITDA grew ~20% YoY, though higher Non-operating expenses led to decline in Net profit. However, strong NLA pipeline could potentially build stronger earnings trajectory in FY18. **Maintain Buy.**

4Q17 Revenue of Rp56bn (+26.6% YoY, +4.6% QoQ). Mega Manunggal booked sequential faster revenue growth, growing by 24.9% YoY in 3Q17 to 26.6% YoY in 4Q17. Office and warehouse rental contributed the bulk of the growth, with revenue accelerating from 19.7% YoY in 9M17 to 32.5% YoY in 4Q17. We believe this can be attributed to the completion of a built-to-suit warehouse for Ark Logistics in 4Q17. Meanwhile, equipment rental decline accelerated from 4.3% in 9M17 to 7.4% in 4Q17. **Full year 2017 revenue grew by 19.1% YoY to Rp209bn**, in-line with our but slightly (1.8%) above consensus estimates.

4Q17 EBITDA of Rp37bn (+27.0% YoY, +1.4% QoQ). EBITDA growth picked up in 4Q17, from 18.9% YoY in 9M17 to 27.0% YoY in 4Q17 as revenue accelerated. Cash opex growth accelerated from 11.0% YoY in 9M17 to 25.9% YoY in 4Q17 with salaries and allowances driving the majority of cash opex growth. As a result, sequential EBITDA margin eroded by 210 bps to 66.1%. **On a full year basis, EBITDA grew by 20.9% YoY to Rp146bn**, in-line with our and moderately above consensus estimates. Full year's EBITDA margin was relatively flattish at ~70%.

4Q17 Core profit of Rp22bn (-45.0% YoY, 36.1% QoQ). Mega Manunggal reported Rp197bn gain in FV of investment properties in 4Q17, below last year's Rp323bn. Adjusting out the gain in fair value of investment properties in 4Q17 and other one-off items, core profit still increased on QoQ basis. Sequential core profit margin also still expanded from 29.7% in 3Q17 to 38.7% in 4Q17. **On a full year basis, core profit declined by 10.4% YoY to Rp87bn.** The company booked materially higher Non-operating expenses, primarily driven by net interest expenses.

Maintain Buy. We reiterate Buy as we view the company as the main beneficiary of underpenetrated warehouse supply in Indonesia and the growing e-commerce sector. The company is on schedule to complete a built-to-suit warehouse for Ark Logistics in Cileungsi and a ready-built warehouse in Block AE, MM2100 this year. Meanwhile, the company has also started groundbreaking at more than 100k sqm NLA in 1Q18, the revenues from which we estimate will be fully recognized in 2H19. We highlight that the balance sheet remained strong, supported by favorable debt mix. The company is currently trading at 23.1x/16.1x Core/Reported PER 2019F, as per our estimates.

FIGURE 1. MMLP 4Q17 RESULTS

in Rp bn	4Q16	3Q17	4Q17	YoY	QoQ	FY16	FY17	YoY	% of FY17F Mansek	% of FY17F Cons.
Office and warehouse rental	35	45	46	32.5%	2.9%	140	172	22.9%		
Equipment rental	6	5	5	-7.4%	1.3%	23	22	-5.1%		
Others	4	3	4	24.9%	34.3%	12	15	20.4%		
Revenues	44	54	56	26.6%	4.6%	175	209	19.1%	100.9%	101.8%
Cost of revenues	5	5	6	10.8%	23.4%	18	20	9.2%		
G&A	11	13	14	32.0%	6.9%	39	46	18.0%		
Operating profit	28	36	36	27.4%	1.4%	118	142	21.0%		
<i>% margin</i>	<i>64.0%</i>	<i>66.5%</i>	<i>64.4%</i>	<i>40 bps</i>	<i>-207 bps</i>	<i>67.2%</i>	<i>68.2%</i>	<i>107 bps</i>		
Depreciation and amortization	1	1	1	13.3%	3.2%	3	4	17.0%		
EBITDA	29	37	37	27.0%	1.4%	121	146	20.9%	100.7%	101.3%
<i>% margin</i>	<i>65.9%</i>	<i>68.2%</i>	<i>66.1%</i>	<i>20 bps</i>	<i>-210 bps</i>	<i>68.9%</i>	<i>69.9%</i>	<i>104 bps</i>		
Interest income	2	0	1	-18.6%	301.6%	18	5	-72.1%		
Interest expense	(11)	(14)	(16)	48.6%	19.5%	(47)	(52)	11.6%		
Forex gain / (loss), net	(6)	(2)	(1)	-89.4%	-65.2%	3	(1)	-126.3%		
Increase in FV of investment properties	323	-	197	-39.1%	n.a.	323	217	-32.8%		
Others	2	4	(1)	-147.9%	-123.7%	2	3	47.5%		
Other income / (expenses)	310	(11)	181	-41.8%	n.a.	299	172	-42.6%		
Pre-tax profit	339	24	217	-36.0%	785.8%	417	314	-24.7%		
<i>% margin</i>										
Final & Income tax expenses	(5)	(5)	(6)	24.8%	4.8%	(18)	(21)	19.1%		
<i>% effective tax rate</i>	<i>1.3%</i>	<i>22.1%</i>	<i>2.6%</i>	<i>127 bps</i>	<i>-1945 bps</i>	<i>4.2%</i>	<i>6.7%</i>	<i>245 bps</i>		
Minority interest	(56)	(1)	(42)	-25.1%	n.a.	(57)	(41)	-28.5%		
PATAMI	278	18	169	-39.2%	858.1%	342	252	-26.3%	133.4%	117.9%
<i>% margin</i>	<i>624.9%</i>	<i>32.8%</i>	<i>300.0%</i>			<i>195.2%</i>	<i>120.8%</i>			
Normalized PATAMI	40	16	22	-45.0%	36.1%	97	87	-10.4%		
<i>% margin</i>	<i>89.1%</i>	<i>29.7%</i>	<i>38.7%</i>			<i>55.5%</i>	<i>41.7%</i>			

Source: Company Data, Mandiri Sekuritas estimates, Bloomberg

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